

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
OMB-01 FEA-01 /101 W
-----170012Z 028083 /72

P 162248Z MAY 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 3486
INFO US DEL MTN GENEVA 1026

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 03955

FOR SPECIAL TRADE REP STRAUSS FROM ENDERS

E.O. 11652: GDS
TAGS: OVIP, ETRD, MIN, CA
SUBJ: VISIT OF STR STRAUSS TO OTTAWA

1. HERE IS AN OUTLINE OF THE SORT OF THING WE THINK YOU
SHOULD AIM TO ACCOMPLISH DURING YOUR PROPOSED VISIT TO
OTTAWA IN JUNE.

2. MTN. CANADA HAS TALKED A GOOD GAME ON THE MTN, AND
HAS AGRICULTURAL INTERESTS VERY SIMILAR TO OURS. I THINK
THE GOVERNMENT MEANS IT, BUT SUPPORT IN THE COUNTRY IS
GENERALLY THIN. ONE CRITICAL ISSUE IS THE TARIFF FORMULA.
IN CONTRAST TO MOST OTHER INDUSTRIAL PARTICIPANTS IN THE
NEGOTIATION, WHO WANT TO CUT HIGH TARIFFS MORE THAN LOW
AND THUS HARMONIZE OUR SCHEDULES, CANADA WANTS TO CONCEN-
TRATE THE CONCESSIONS IT GETS FROM THE UNITED STATES IN
THE LOW DUTY RANGE, WHERE IT BELIVES IT HAS THE BEST
EXPORT OPPORTUNITIES. IT HAS OBJECTED TO OUR PROPOSED
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TARIFF FORMULA ON THE GROUNDS THAT THE FULL U.S. AUTHORITY
TO ELIMINATE DUTIES BELOW FIVE PERCENT IS NOT USED.
DANGER TO US IN THE CANADIAN APPROACH IS THAT OTTAWA MAY
USE IT TO LAY THE BASIS FOR CLAIMING NON-FORMULA STATUS
AT THE END OF THE NEGOTIATION. BECAUSE OF THE EXTREME
DIFFICULTY OF DEALING WITH ITEM BY ITEM CONCESSIONS ONCE
A BROAD DEAL BEGINS TO EMERGE BETWEEN THE UNITED STATES,

THE COMMUNITY AND JAPAN, CANADA COULD END UP AGAIN WITH A FREE RIDE LIKE THE ONE AT GATT IN THE KENNEDY ROUND. WE'VE ALREADY OFFERED TO CONSIDER REDUCING PARTICULAR DUTIES IN THE LOW RANGE MORE THAN WHAT IS CALLED FOR BY OUR FORMULA, AND WE SHOULD LOOK NOW FOR AN ACTIVE MEANS TO NAIL THE CANADIAN RESPONSE DOWN, PERHAPS USING DETAILED BILATERAL TALKS ON INDIVIDUAL ITMES TO FORCE THE CANADIANS TO PUT THEIR CARDS ON THE TABLE.

3. CANADIAN TEXTILE RESTRICTIONS. SINCE IMPOSITION BY CANADA IN 1976 OF GLOBAL QUOTAS ON TEXTILE PRODUCTS, AFFECTING SOME \$86 MILLION OF EXPORTS FROM THE U.S., THE U.S. HAS SOUGHT, WITHOUT SUCCESS, COMPENSATION FROM CANADA THROUGH SUBSTANTIALLY EQUIVALENT CONCESSIONS. IN VIEW OF THE CONTINUED STRONG NEGATIVE REACTION BY CANADA DURING CONSULTATIONS ON THE RESTRICTIONS, WE HAVE GOT TO MAKE UNILATERAL WITHDRAWALS OF US CONCESSIONS. OTTAWA HAS BEEN CAVALIER ABOUT ALL OF THIS, THINKING PERHAPS THAT THE FACT MOST OF THE TEXTILE INDUSTRY IS IN QUEBEC WILL PROTECT THEM FROM RETALIATION. YOU SHOULD MAKE CLEAR THAT YOU ARE TAKING ON PROTECTIONISM AND THAT THE US WILL REACT IF HURT BY CANADIAN ACTIONS.

4. US/CANADA AUTOMOTIVE AGREEMENT. CANADIAN AUTO PARTS PRODUCERS ARE INCREASINGLY DISSATISFIED WITH THEIR SHARE OF THE NORTH AMERICAN MARKET AND HAVE PUT CONSIDERABLE POLITICAL PRESSURE ON THE GOC TO HELP. (CANADA HAS HAD SUBSTANTIAL DEFICIT IN PARTS TRADE UNDER US/CANADA AUTO AGREEMENT OF 1965 ALTHOUGH DEFICIT DECLINED IN 1976 AS

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US ECONOMIC RECOVERY LED TO INCREASED US IMPORTS OF PARTS). GOC IS CONTEMPLATING USE OF MORAL SUASION ON MAJOR MANUFACTURERS' SOURCING DECISIONS. YOU SHOULD LET THEM KNOW THAT WON'T WASH, ALTHOUGH THERE MAY BE SOME FEDERAL AND REGIONAL ACTIONS THAT COULD APPROPRIATELY BE TAKEN TO STIMULATE INVESTMENT IN PARTS CAPACITY IN CANADA.

5. PUBLIC ATTITUDES. THERE IS A LOT OF EVIDENCE THAT PROTECTIONIST FEELING IS GROWING HERE, AS A RESULT OF POOR GROWTH AND PRICE/WAGE PERFORMANCE. RECORD OF NEW US ADMINISTRATION IS GOOD. YOU SHOULD USE OCCASION OF VISIT TO APPEAL IN A PUBLIC SPEECH FOR CANADIAN SUPPORT OF TRADE LIBERALIZATION. SUCH A SPEECH, THE FIRST IN CANADA BY A CABINET-LEVEL OFFICIAL IN THE NEW ADMINISTRATION, WOULD HAVE A MAJOR IMPACT HERE.

6. PETROCHEMICAL TARIFFS. DURING HIS MARCH 4 DISCUSSION WITH SCHLESINGER, CANADIAN ENERGY, MINES AND RESOURCES MINISTER GILLESPIE SUGGESTED EXPLORATORY BILATERAL DIS-

CUSSION ON US PETROCHEMICAL TARIFFS. ALBERTA WANTS THE
TARIFF CUTS SO AS TO BASE DEVELOPMENT OF ITS PETROCHEMICAL
INDUSTRY IN PART ON US MARKET, AND FOR THIS REASON POSSI-
BILITY EXISTS THAT US COULD SECURE LONG-TERM NATURAL GAS
SUPPLIES IN EXCHANGE. US IS PREPARED TO DISCUSS PETRO-
LEUM TARIFFS IN CONTEXT OF CANADIAN GAS SUPPLY POLICIES,
BUT ACTUAL NEGOTIATION OF TARIFF REDUCTIONS WOULD, OF
COURSE, TAKE PLACE ONLY WITHIN CONTEXT OF MTN. ITC HAS
AGREED TO CONCEPT OF TALKS AND HAS SUGGESTED INFORMALLY
THAT YOUR VISIT WOULD BE APPROPRIATE OCCASION TO BEGIN.
7. GRAINS. WE WILL NEED A JOINT STRATEGY ON HOW TO
HANDLE THE GRAINS NEGOTIATIONS IN LONDON AND GENEVA.
BERGLAND WILL BE HERE ON MAY 17-18 TO SEE HIS COUNTERPART,
BUT CHRETIEN HANDLES THE NEGOTIATIONS AND WILL WANT TO GO

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C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 03955

OVER THE GROUND WITH YOU.

8. MISCELLANY. YOU SHOULD COVER A VARIETY OF
AGRICULTURAL TRADE PROBLEMS, INCLUDING THE PROPOSED
NATIONAL BROILER CHICKEN MARKETING AGENCY, EGG MARKETING,
POTATOES AND CANADIAN COMPLAINTS ABOUT BOXED BEEF AND
SLAUGHTER CATTLE. ENDERS

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